

November 1, 2010

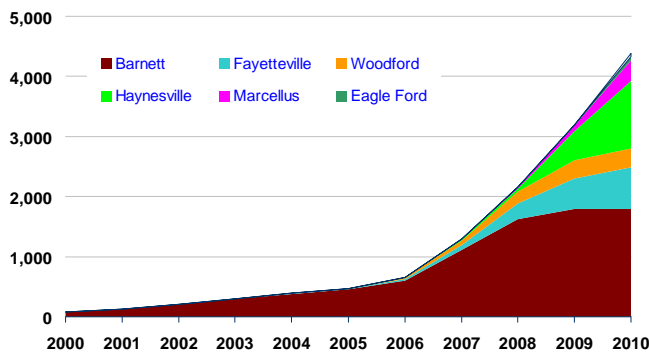
## Natural Gas Trends

### Highlights

#### EIA PROJECTS STORAGE CAPACITY

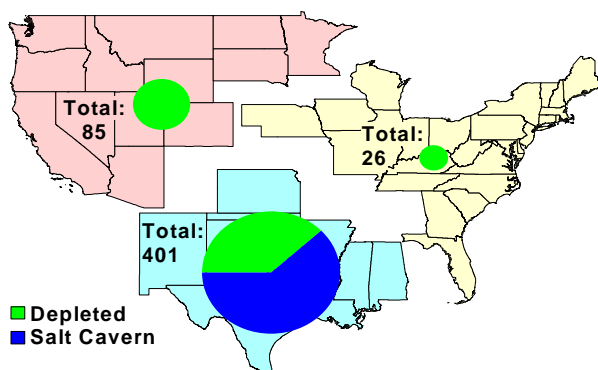
On October 19, 2010, the U.S. Energy Administration's Director of the Office of Oil, Gas & Coal Supply Statistics, James M. Kendell, discussed trends in natural gas storage at the 6<sup>th</sup> Annual Gas Storage Finance, Investment, and Strategy Summit held in Houston, Texas. According to Mr. Kendell, natural gas production from shale increased significantly beginning in 2006, as shown below.

#### SHALE PRODUCTION BY BASIN, 2000-2010



Mr. Kendell discussed the potential for an additional 512 billion cubic feet (Bcf) of natural gas storage capacity from depleted gas reservoirs and salt caverns during the period 2010-2012, as shown below.

#### NATURAL GAS STORAGE CAPACITY, POTENTIAL ADDITIONS 2010-2012



James Kendell's presentation is available at:  
[http://www.eia.gov/pub/oil\\_gas/natural\\_gas/presentations/2010/gasstorage/index.html](http://www.eia.gov/pub/oil_gas/natural_gas/presentations/2010/gasstorage/index.html)

### Data

- December Natural Gas Futures Contract (Oct 29), NYMEX at Henry Hub closed at \$4.038 per million British Thermal Units (MMBtu)
- December Light, Sweet Crude Oil Futures Contract (Oct 29), NYMEX at Cushing closed at \$81.43 per U.S. oil barrel (Bbl.) or approximately \$12.97 per MMBtu

#### Last week: Warmer Than Normal in Texas and U.S.

For the week beginning 10/24/10 and ending 10/30/10, cooling degree days were higher than normal for Texas and the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 9% above normal for Texas and 21% above normal for the U.S.  
Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

#### COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/30/10	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	4	+ 4	1618	+ 20 %
Austin	35	+ 5	2941	+ 1 %
Dallas – FW	29	+ 17	3172	+ 24 %
El Paso	9	+ 5	2736	+ 21 %
Houston	79	+ 50	3319	+ 19 %
San Antonio	44	+ 13	3048	+ 3 %
Texas**	41	+ 19	2814	+ 9 %
U.S.**	13	+ 7	1441	+ 21 %

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.  
\*\* State and U.S. degree days are population-weighted by NOAA.

#### Last week: U.S. Gas Storage at 3,754 Bcf

For the week ending 10/22/2010, U.S. working gas in storage increased from 3,683 to 3,754 Bcf compared to 3,755 Bcf in storage a year ago and compared to an average of 3,442 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 1,161 to 1,192 Bcf.  
Source: [www.eia.doe.gov](http://www.eia.doe.gov)

#### U.S. WORKING GAS IN STORAGE

Region	Week ending 10/22/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	2048	2014	+ 34	+ 3.5 %
West	514	508	+ 6	+ 11.0 %
Producing	1192	1161	+ 31	+ 19.3 %
Lower 48 Total	3754	3683	+ 71	+ 9.1 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

**Last week: Gas Rig Count Up 2 to 967**

The **gas** rig count for the U.S. was up 2 last week and up 239 when compared to 12 months ago. The U.S. **total** rig count was up 3 last week and up 603 when compared to 12 months ago.

Source: Baker Hughes

**BAKER HUGHES ROTARY RIG COUNT**

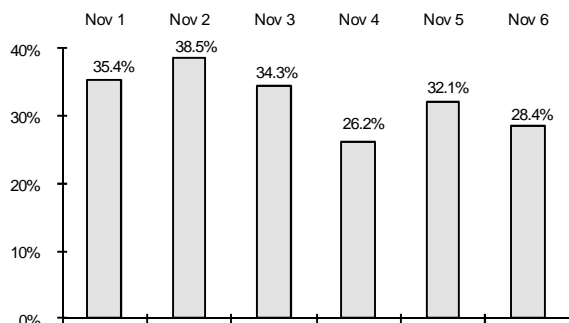
	As of 10/29/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1672	+ 3	1669	+ 603
Gas	967	+ 2	728	+ 239
Oil	696	+ 1	330	+ 366
Texas	716	+ 5	411	+ 305
N. Amer.	2105	+ 17	1318	+ 787

Numbers are excerpted and not meant to be totaled

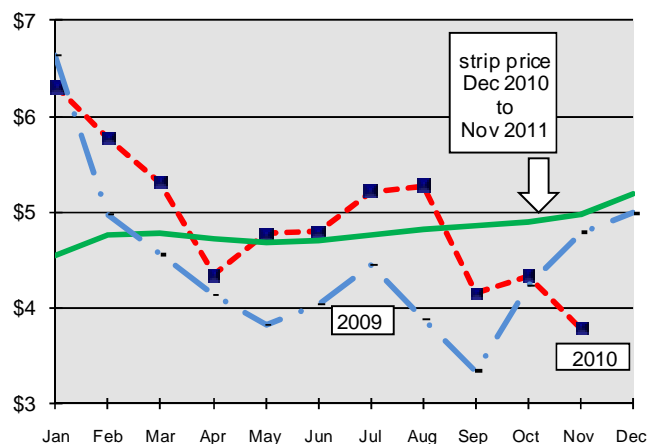
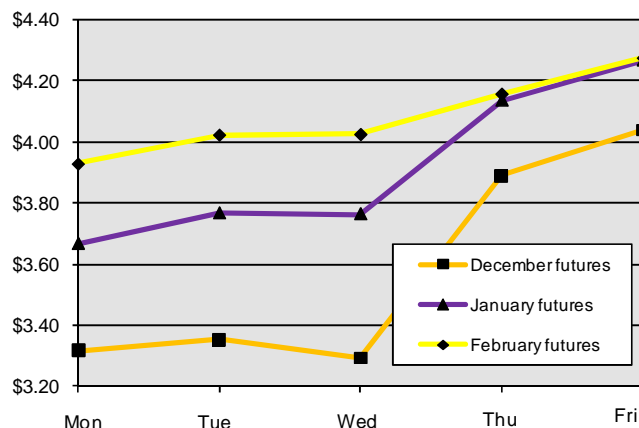
**This week: U.S. Energy Much Higher Than Norm**

U.S. energy use is forecast to be much higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

**U.S. ENERGY USE FORECAST****GAS PRICE SUMMARY AS OF 10/29/10**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US December futures				
NYMEX	\$4.038	\$0.706	-\$0.448	\$4.307

**NYMEX HENRY HUB FUTURES PRICES****NYMEX NATURAL GAS PRICE MOVEMENT 10/25/10 - 10/29/10**

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